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Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 NEA-06 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01

H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 IO-10 OPIC-03 LAB-04 SIL-01 SWF-01 PA-01 PRS-01

USIA-06 /118 W
---------- 014154
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FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 3565
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS UNN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
USMISSION OECD PARIS UNN
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMEMBASSY VIENNA

C O N F I D E N T I A L STOCKHOLM 5666

E.O. 11652: GDS
TAGS: ENRG, OECD, IMF, SW, EFIN
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SUBJECT: COMMENTS OF DEPUTY GOVERNOR, CENTRAL BANK, ON RE-

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CYCLING

REF: A. STOCKHOLM 5547; B. STOCKHOLM 5410; C. STATE 114269;
D. STATE 268582

SUMMARY. ECON OFF MET WITH HANS LUNDSTROM, DEPUTY CHIEF, RIKSBANK (BANK OF SWEDEN), DECEMBER 16 TO REVIEW RECYCLING PROPOSALS. LUNDSTROM SAID GOS FAVORS GUARANTEE VERSION OF RECYCLING SCHEME RATHER THAN DIRECT GOVERNMENT CREDITS. SWEDES WERE UNHAPPILY SURPRISED BY U.S. DISAGREEMENT WITH PROPOSED EXTENSION OF IMF OIL FACILITY. LUNDSTROM SAID GOVERNMENT WOULD FIND IT HARD TO SUPPORT OECD SAFETY-NET SCHEME IN ABSENCE OF SPECIAL OIL FUND IN IMF. END SUMMARY.

1. OECD SAFETY NET. IN MEETING DECEMBER 16 REQUESTED BY ECON OFF TO REVIEW SWEDISH POSITION ON OECD AND IMF RECYCLING FACILITIES, HANS LUNDSTROM, DEPUTY CHIEF, RIKSBANK, SAID GOS PREFERS SYSTEM OF GUARANTEES OVER SYSTEM OF PLEDGES BY COUNTRIES TO COMMIT FUNDS WHEN CALLED UPON. GOS DOES NOT FORESEE THAT IT WILL HAVE TO BORROW FROM SUCH A FUND AND EXPECTS PRIMARY USERS TO BE ITALY AND UK, AND POSSIBLY DENMARK AND FRANCE. LUNDSTROM SUPPOSED SWEDISH PARLIAMENT COULD JUSTIFY CONTRIBUTION ON BASIS OF SOLIDARITY IF IT HAD TO, BUT LUNDSTROM LEFT NO DOUBT THAT GOS IS NOT KEEN ON CONTRIBUTING MONEY TO BAIL OUT POOR COUSINS. FURTHER, LUNDSTROM SAID, HE COULD NOT UNDERSTAND LOGIC OF ASKING COUNTRIES TO MAKE NATIONAL PLEDGES WHEN CONTRIBUTION THEY MAY BE CALLED UPON TO GIVE MIGHT HASTEN THE DAY WHEN THEY THEMSELVES WOULD HAVE TO DRAW UPON FUND.

2. REFLECTING OVERALL SWEDISH CONCERN THAT IEA MAY PROVOKE CONFRONTATION BETWEEN CONSUMERS AND PRODUCERS (REFS A AND B), LUNDSTROM THOUGHT THAT RECYCLING SCHEME, TOO, MIGHT CAUSE PRODUCERS TO FEEL CHALLENGED.

3. U.S. IMF INTERVENTION. LUNDSTROM DESCRIBED HIMSELF AS SOMEWHAT UNHAPPILY SURPRISED BY U.S. IMF EXECUTIVE DIRECTOR'S INTERVENTION (REF C). GOS DOES NOT LIKE IDEA OF GIVING UP SEPARATE IMF OIL FACILITY. WITHOUT SEPARATE FUND THERE WOULD BE NO SPECIAL FACILITY FOR HELPING LDC'S. OECD FINANCING FACILITY WOULD ASSIST INDUSTRIAL COUNTRIES AND IMF TRUST FUND
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WOULD HELP MOST SERIOUSLY AFFECTED, BUT ORDINARY LDC'S WOULD HAVE NO FACILITY OF LAST RESORT. CONCEPTUALLY, HE SAID, U.S. ARGUMENTS REGARDING PROBLEMS ASSOCIATED WITH DEFINITION AND MEASUREMENT OF "OIL DEFICITS" AND ARBITRARY DISTINCTION BETWEEN A COUNTRY'S OIL-RELATED PROBLEMS AND ITS OVERALL ECONOMIC AND PAYMENTS SITUATION WERE PERSUASIVE BUT NOT COMPELLING. OECD DECLARATION ON TRADE AND OTHER CURRENT ACCOUNT MEASURES, ADOPTED LAST MAY, ASSUMED THAT COUNTRIES WOULD ESTIMATE

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ADVERSE PAYMENTS EFFECTS OF HIGHER OIL PRICES. SPECIAL IMF FUND FOR HANDLING OIL-RELATED DEFICITS IS CONSISTENT WITH THAT AGREEMENT. MOREOVER, THERE ARE FORMULAE THAT CAN BE USED TO DETERMINE THAT PORTION OF A DEFICIT ATTRIBUTABLE TO HIGHER OIL PRICES. MEASUREMENT OF OIL DEFICITS, ADMITTEDLY, WOULD BECOME HARDER AS TIME PASSES; RIGHT NOW, IT WAS NOT HARD. LUNDSTROM WOULD HAVE PREFERRED IF US HAD WAITED TWO OR THREE YEARS TO PRESENT IDEA THAT THERE SHOULD BE NO SEPARATE OIL-DEFICIT FACILITY.

4. COMMENT. ECON OFF REVIEWED US SUPPORTING ARGUMENTS RELATING TO IEA AND SPECIFICALLY TO RECYCLING ARRANGEMENTS. LUNDSTROM WAS WELL ACQUAINTED WITH THEM BUT HIS PERSPECTIVE WAS SWEDISH GOVERNMENT STANDARD, FOLLOWING RELIABLY FROM SWEDEN'S NEUTRALITY POLICY AND CONSEQUENT RELUCTANCE TO JOIN IN "PARTISAN" MULTILATERAL EFFORTS, ITS CHAMPIONSHIP OF THIRD WORLD AGAINST THE BIG POWERS, AND ITS SENSITIVITY TO ITS HIGH DEPENDENCE ON IMPORTED OIL FOR ITS ENERGY REQUIREMENTS.

5. OUR POST-MARTINIQUE ASSESSMENT IS THAT SWEDEN WILL NOW WORRY SOMEWHAT LESS THAT PRODUCERS WILL PERCEIVE IEA AS CONFRONTATION. JAN ELIASSON, MFA POLITICAL OFFICER FOR NORTH AMERICAN AFFAIRS, TOLD EMBASSY OFFICERS DECEMBER 19 THAT MARTINIQUE AGREEMENT "SUITED" SWEDEN. KNUT THYBERG, MFA POLITICAL OFFICER AND SWEDISH REPRESENTATIVE TO IEA STANDING GROUP ON PRODUCER/CONSUMER RELATIONS, SAID SAME DATE THAT GOS REMAINS TROUBLED BY CERTAIN ASPECTS OF INTERNATIONAL ENERGY PROGRAM BUT THAT, IF FRANCE WILLING TO ACCEPT MARTINIQUE ARRANGEMENT, SWEDEN COULD NO NO LESS.
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